PUBLIC TRUSTEE FOR SASKATCHEWAN

FINANCIAL STATEMENTS

For the Year Ended March 31, 2001

Provincial Auditor Saskatchewan

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SASKATCHEWAN

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Public Trustee for Saskatchewan as at March 31, 2001 and the statements of common fund undistributed earnings and changes in trust funds for the year then ended. The Public Trustee's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Public Trustee as at March 31, 2001 and the results of its operations and the changes in its trust funds for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
August 30, 2002

Fred Wendel, CMA, CA
Provincial Auditor

PUBLIC TRUSTEE FOR SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
BALANCE SHEET
MARCH 31, Statement 1

	2001	2000
ASSETS		
Cash and Due from General Revenue Fund (Note 5)	$ 2,660,228	$ 353,841
Accrued Interest Receivable	1,123,039	1,266,527
Other Accounts Receivables	273,388	12,675
Common Fund Securities (Schedule 1 & Note 4)	123,239,669	128,312,612
Individual Trust Assets (Schedule 2)	19,147,271	16,094,197
TOTAL ASSETS	$ 146,443,595	$ 146,039,852
LIABILITIES		
Current Liabilities		
Accounts Payable (Note 6)	$ 3,191,329	$ 3,101,404
Mortgages and Loans Payable	312,515	162,629
Total Liabilities	3,503,844	3,264,033
Trust Equity		
Trust Equity	137,136,060	126,148,320
Undistributed Earnings (Statement 2)	5,803,691	16,627,499
	142,939,751	142,775,819
TOTAL LIABILITIES AND TRUST EQUITY	$ 146,443,595	$ 146,039,852

(See Accompanying Notes to the Financial Statements)

PUBLIC TRUSTEE FOR SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
STATEMENT OF COMMON FUND UNDISTRIBUTED EARNINGS
FOR THE YEAR ENDED MARCH 31, Statement 2

	2001	2000
REVENUE		
Interest and Dividend Income	$ 5,910,880	$ 5,207,437
Realized Gains, Losses and Market Value Appreciation (Note 3)	(573,168)	6,237,294
	5,337,712	11,444,731
Less: Management Fees	(221,333)	(262,517)
Earnings Available for Distribution	5,116,379	11,182,214
Distributed Earnings		
Interest and Dividends	(5,296,230)	(4,221,393)
Realized and Unrealized Capital Gains	(10,643,957)	(7,802,802)
Undistributed Earnings Previous Year	16,627,499	17,469,480
UNDISTRIBUTED EARNINGS, END OF YEAR	$ 5,803,691	$ 16,627,499

(See Accompanying Notes to the Financial Statements)

PUBLIC TRUSTEE FOR SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
STATEMENT OF CHANGES IN TRUST FUNDS
FOR THE YEAR ENDED MARCH 31, Statement 3

	2001	2000
Trust Funds Acquired		
Cash	$ 6,138,629	$ 11,311,925
Non-Cash Assets	5,980,739	7,938,153
Revenue Earned on Behalf of Trusts		
Common Fund Earnings Available for Distribution (Statement 2)	5,116,379	11,182,214
Individual	404,246	132,624
Pension Benefits	13,996,820	11,913,166
Property Rentals	324,938	388,775
Miscellaneous	5,870,738	3,597,748
Total Trust Funds Acquired	37,832,489	46,464,605
Trust Funds Expended		
Released Client Accounts		
Cash	19,136,956	17,175,204
Payments Made on Behalf of Clients		
Maintenance and Other Expenses	15,010,648	15,986,546
Administrative Fees (Note 3)	3,520,953	3,054,731
Total Trust Funds Expended	37,668,557	36,216,481
Increase in Trust Funds	163,932	10,248,124
Balance, Beginning of Year	142,775,819	132,527,695
TRUST FUNDS, END OF YEAR (Statement 1)	$ 142,939,751	$ 142,775,819

(See Accompanying Notes to the Financial Statements)

1. Authority and Purpose

Effective April 1, 1984 the Office of the Public Trustee for Saskatchewan was established pursuant to *The Public Trustee Act*.

Section 3(1) of *The Public Trustee Act* states; "The Public Trustee is established as a corporation sole under the name of the Public Trustee for Saskatchewan."

Section 3(3) of *The Public Trustee Act* states; "The public trustee is the successor in office to: (a) the Official Guardian appointed pursuant to *The Infants Act*; and (b) the Administrator of Estates appointed pursuant to *The Administration of Estates of the Mentally Disordered Persons Act*."

In addition, effective November 12, 1992, the Public Trustee became the official administrator for each judicial centre pursuant to *The Queen's Bench Act*.

The purpose of the Office is to protect vulnerable persons with the primary functions being:

a) Administering the property and finances of adults who are mentally incompetent;
b) Protecting property rights of children under the age of eighteen; and
c) Administering the affairs of deceased persons.

2. Scope of the Financial Statements

These financial statements reflect the assets and liabilities of estates and trusts under the administration of the Public Trustee. In addition, these financial statements reflect the annual changes in those assets and liabilities including;

a) revenue earned on behalf of clients;
b) income entitlements received on behalf of clients;
c) new client account additions;
d) released client withdrawals;
e) payment of client assets to estates;
f) maintenance and other payments made on behalf of clients; and
g) administration fees payable to the Office of the Public Trustee for Saskatchewan.

The operations of the Office of the Public Trustee are included in the annual report of the Department of Justice.

3. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Preparation of financial statements in accordance with Canadian generally accepted accounting policies requires management to make estimates and assumptions in determining the reported amounts for assets and liabilities. Actual results could differ from management's best estimates as additional information becomes available. The following policies are considered significant.

Common Fund Securities and Income Recognition

Pursuant to Section 47(1) of *The Public Trustee Act,* "the public trustee shall place monies received by him pursuant to this Act in a common fund and shall, subject to the approval of the Investment Board, invest in the name of the public trustee that part of the common fund which in his opinion is not immediately required for the maintenance and education of infants or the management of the affairs of the persons for whom the public trustee is property guardian."

Common fund securities, primarily bonds, debentures and shares, are stated at market value. Market value is determined with reference to closing year end sale prices from recognized security dealers. In the absence of recorded sales, market value is determined by reference to closing year end bid and ask prices.

Short term investments are stated at cost which approximates market value.

Income earned on common fund securities is recorded using the accrual basis of accounting with amounts earned in the fiscal year but not received prior to the year end reflected as accrued interest receivable.

Individual Trust Securities

Individual trust securities, primarily term deposits, bonds and RRSP accounts are initially stated at par value at the date the Public Trustee assumes control of the securities. For financial statement purposes, these securities are adjusted to the market value annually using the most recent valuation information available prior to March 31. Adjustments between the most recent available information and March 31 of each year for a particular client are likely minimal and would effect the value of the asset and the trust liability equally.

Shares are initially recorded at the market value at the time the Public Trustee assumes responsibility for control of the investment. Subsequent increases or decreases in the market value are reflected in the trust accounts annually. Where a market value for a share is not readily available, the shares are recorded for accountability purposes at a nominal value of $1.

Other Assets

Other assets consist of commodities, real estate, personal property, life insurance policies, pension plans and annuity contracts and are stated at the following values:

a) **Commodities** are stated at market value which is determined annually with reference to the estimated final delivery price for the particular commodity.
b) **Real estate,** including real estate holdings for infants where the Public Trustee is appointed property guardian, are initially recorded at appraised value at the date the Public Trustee assumes control of the asset or at cost if the real estate is purchased on behalf of clients by the Public Trustee. Real estate values are adjusted to appraised value from time to time. If no valuation information is available, these assets are recorded at a nominal value of $1.
c) **Miscellaneous Personal Property** is stated at amounts determined from information available to the Public Trustee at the date the Public Trustee assumes control of the assets. Subsequent adjustments are made if additional valuation information is received. If no valuation is available, these assets are recorded at a nominal value of $1.
d) **Life Insurance Policies** that carry a cash surrender value are stated at the cash surrender value as determined with reference to the most recent valuation information available prior to March 31. Policies that do not carry a cash surrender value are stated at a nominal value of $1.
e) **Pension Plans and Annuity Contracts** are stated at residual value as determined with reference to the most recent valuation information available prior to March 31 of each year. Pension plans and annuity contracts with no residual value are stated at a nominal value of $1.

Accounts, Mortgages and Loans Payable

Accounts, mortgages and loans payable represent encumbrances of client assets that are payable to independent third parties. These client obligations are settled as client resources become available. In some cases, a client's liabilities exceed the stated value of their assets. These items are included as accounts payable and are paid as the resources of the client become available to do so.

Administration Fees

Pursuant to the provisions of *The Public Trustee Regulations, 1999,* the Public Trustee may charge a fee for services performed in the management of client accounts. Such fees charged are payable to the General Revenue Fund of the Province of Saskatchewan.

4. Common Fund Securities

Common Fund Securities are invested through a single "common" fund to ensure consistency of return among clients. The investment objectives of the common fund are to achieve at least market returns with prudent risk diversification, with the potential for enhanced returns through active investment management for a majority of the portfolio. The Public Trustee recognizes that there are diverse time horizons for their clients and that capital preservation is of primary concern. The employed investment objectives include a multiple asset, total return approach which values all types of investment income equally, a moderate income requirement to supplement other liquidity sources, a requirement for stability and maximization of return and a degree of inflation protection and capital appreciation.

The Public Trustee recognizes that, by their nature, investments carry with them certain risks. The investment policy employed by the Public Trustee is designed to mitigate these risks as much as possible by placing restrictions on the overall content and quality of the permitted investments. The following describes the risks associated with the investment portfolio, managed through an investment manager, by the Public Trustee.

Price Risk

Price risk refers to the potential that the value of investments will fluctuate as a result of foreign currency, interest rate and general market changes.

The value of the common fund investments will fluctuate with changes in foreign currency, interest rate and general market changes. To mitigate these risks the Public Trustee works with an investment manager that actively manages asset class allocations through a balanced fund approach. The employed investment policy limits foreign currency exposure by permitting a maximum of 40% foreign investment with a stated benchmark of 26% foreign investment. The policy also limits market risk by permitting a maximum of 50% equity investment, including foreign equities with a benchmark of 40% equity investment. The Public Trustee manages interest rate risk by limiting the quantity and quality of interest rate sensitive investments to a maximum of 100% of the portfolio with a benchmark of 60% fixed income securities. Market risk is managed by taking a conservative prudent approach to investment.

Credit and Liquidity Risk

Credit and liquidity risk arises from the potential for an investee to fail or for an issuer to default on its obligations to the Common Fund. The Public Trustee mitigates this risk by limiting the quantity and quality of the permitted investments to high quality, highly rated equity investments and highly rated fixed income securities.

5. Due from the General Revenue Fund

The Public Trustee operating bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest earned on the balance attributed to the Public Trustee is calculated and paid quarterly into the Public Trustee's operating account using the Government's thirty day borrowing rate and the Public Trustee's average daily bank account balance. The Government's average thirty day borrowing rate for 2001 is 5.59% (2000 – 5.08%)

6. Accounts Payable

Accounts payable consist of the following balances:

	2001	2000
Accounts Payable to Third Parties	$ 960,876	$ 3,022,743
Administration Fees Payable to the Public Trustee	2,230,453	78,661
	$ 3,191,329	$ 3,101,404

7. Common Fund Earnings Distributions

Common fund investments generate interest, dividend, realized and unrealized capital gains income. Pursuant to Section 5 and 6 of *The Public Trustee Regulations, 1999*, interest and dividend income earned on the Common Fund investments is distributed to client trust accounts monthly. In addition, on a monthly basis, the Public Trustee sets the distributable capital gains and losses, pursuant to Section 11 of *The Public Trustee Regulations, 1999*, as the greater of the potential capital gains, calculated pursuant to Section 9 of the regulations, or the realized capital gains, calculated pursuant to Section 7 of the regulations. Realized capital gains and losses are calculated by taking the proceeds of sale of investment assets minus the adjusted cost base of that particular asset. The potential capital gains or losses are calculated by adding $1/48^{th}$ of the current month realized capital gains or losses plus the change in market value for that month plus $1/47^{th}$ of the previous 47 months potential capital gain or loss amount. The Public Trustee distributes the greater of the two calculated amounts to client accounts on a monthly basis.

8. Related Party Transactions

Administration

In accordance with Section 53 of *The Public Trustee Act*, all general administrative and employee costs required for the administration of the Office of the Public Trustee are paid out of the General Revenue Fund of the Province of Saskatchewan.

PUBLIC TRUSTEE FOR SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
SCHEDULE OF COMMON FUND SECURITIES
MARCH 31,

SCHEDULE 1

	2001		2000	
		% of Portfolio		% of Portfolio
Bonds and Debentures	$		$	
Government of Canada	39,902,026	32.38%	51,842,247	40.40%
Province of Saskatchewan	1,181,038	0.96%	525,512	0.41%
Other Provinces	16,738,271	13.58%	15,621,604	12.17%
Corporations	15,941,304	12.94%	12,193,281	9.50%
Total Bonds and Debentures*	73,762,639		80,182,644	
Greystone Non-North American Fund	9,070,764	7.36%	14,781,299	11.52%
Other Equities				
Canadian	22,308,431	18.10%	19,549,911	15.25%
Foreign	12,204,640	9.90%	11,291,197	8.80%
Short Term Investments*	5,893,195	4.78%	2,507,561	1.95%
TOTAL COMMON FUND SECURITIES	$ 123,239,669		$ 128,312,612	

* All investments held are Canadian

Total Canadian Investments	$ 101,964,265	82.74%	102,240,116	79.68%
Total Foreign Investments	21,275,404	17.26%	26,072,496	20.32%
TOTAL COMMON FUND SECURITIES	$ 123,239,669		$ 128,312,612	

PUBLIC TRUSTEE FOR SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
INDIVIDUAL TRUST ASSETS
MARCH 31,

SCHEDULE 2

	2001	2000
Accounts Receivables	$ 1,708,807	$ 2,311,353
Commodities	80,729	61,394
Individual Investments	8,939,564	6,132,875
Personal Property and Insurance	1,741,681	1,422,232
Real Estate	6,676,490	6,166,343
Total Individual Trust Assets	$ 19,147,271	$ 16,094,197